

Before The  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL NINE)

Docket No. RM2015-2

**REPORT OF THE UNITED STATES POSTAL SERVICE REGARDING  
MATTERS RAISED AT THE PROPOSAL NINE TECHNICAL MEETING**  
(May 8, 2015)

Pursuant to Order No. 2425 (April 6, 2015), a technical meeting open to the public concerning Proposal Nine (Docket No. RM2015-2) was held at the Commission on Tuesday, April 14, 2015. In accordance with the Status Report submitted following that meeting, filed on April 17, 2015, the Postal Service hereby provides the following report on matters raised at the meeting.

The primary purpose of Proposal Nine is to utilize data from the Time and Attendance Collection System (TACS) to decompose city carrier accrued costs into office costs (cost segment 6) and street costs (cost segment 7), replacing the current methodology that uses the In-Office Cost System (IOCS). This seemingly simple method change, however, leads to numerous complications, including the treatment of 1) loading/unloading vehicle costs, 2) training costs, and 3) general support costs.

Following the submission of Proposal Nine on October 31, 2014, a variety of theoretical and mechanical issues have been raised, mainly through inquiries and further analysis done by the Commission. These developments have revealed that this method change, while very simple at the twenty-thousand foot level, entails several details that have resulted in the need for the Postal Service to further refine Proposal

Nine. Explanation of those refinements has come through responses to Chairman Information Requests (ChIRs).

The Postal Service was able to directly address many of the Commission's concerns regarding these refinements at the technical conference. However, as noted by the Postal Service in the Status Report, lingering issues called for the Postal Service to complete the following three tasks: 1) refiling the CS06&7 workbook, incorporating all aspects of Proposal Nine, including all refinements proffered by the Postal Service since the original filing; 2) relabeling and clarifying numerous headers throughout the CS06&7 workbook to make the attribution and assignment of support costs more transparent; and 3) recalculating the figures provided by the Commission in tables 1 through 5 of ChIR No. 3, Questions 1 and 2 to reflect the refinement suggested by the Postal Service in its responses.

With regard to the first two of the above enumerated tasks, the Postal Service is today filing USPS-RM2015-2/3 (as well as the corresponding nonpublic versions in USPS-RM2015-2/NP2). These folders contain an updated version of the CS06&7 workbook, with relabeled headers, which reflect the refinements made in Proposal Nine since the initial filing. The materials in these folders thus represent the outputs, so to speak, of what Proposal Nine in its current configuration would have produced when applied to FY2013 input data. Below is presented a textual description of how those outputs were produced, which highlights the differences between the original Proposal Nine and the more recent refinements. Also presented in the Appendix are updated versions of the tables from ChIR No. 3, Questions 1 and 2 (Tables 1-5), and the cost impacts from Tables 1 and 2 from the original proposal.

**Proposal:**

There are several components to this proposal.

1. From TACS, obtain the hours of city carrier time spent a) in-office, b) on-street, and c) training, and identify the percentage of hours for each by roster designation group and route group.
  - a. Identify the working status (in-office, on-street or training) based on Labor Distribution Code (LDCs 21, 26, 28 and 29 are in-office; LDC 22 is on-street; LDC 92 is training) or by the office or street MODS operation code within LDCs 23 and 27.
  - b. Identify the appropriate roster designation group (full time regular or part time / casual / transitional) by the employee's roster designation. For hours where the roster designation is not known (LDC 92), allocate the hours to the roster designation group in proportion to hours where roster designation is known.
  - c. Identify the appropriate route group as letter routes (LDCs 21, 22, 26 and 28) or special purpose routes (LDCs 23 and 27) For hours where route group is not known (LDCs 29, 92), allocate the hours to the route group in proportion to hours where the route group is known.

- d. This information will be used to create costpools by splitting costs within four categories:

- i. FullTime Regular Carriers, Letter routes
- ii. FullTime Regular Carriers, SPR
- iii. PartTime/Casual/Transitional, Letter routes
- iv. PartTime/Casual/Transitional, SPR

The percentages of hours for the three work statuses will be multiplied with the labor costs for each roster designation group to produce the accrued costs for the costpools.

2. For the purposes of further subdividing street costs, street costs associated with loading and unloading the vehicle will be derived by multiplying TACS-based street costs with the proportion of vehicle loading and unloading time based on Form 3999 data. These costs will remain in cost segment 7 instead of being shifted into cost segment 6. The attribution level and distribution method for these costs will be the same as for regular delivery time in cost segment 7.
3. In IOCS, tallies associated with a carrier performing typical in-office activities will be assigned to in-office. These include all activities while at the case, whether the carriers are clocked to office MODS codes or not. It also includes tallies where the carriers are leaving for or returning from their route and are clocked to an office MODS code. It also includes support activities, such as clocking out, that are done while on-premises. Tallies associated with carriers who are off the premises, or are leaving / returning while clocked to a street MODS code, are assigned to on-street. Tallies associated with carrier training are assigned to training status. See Tables 1 to 5 in the Appendix below for a

detailed mapping of the assigned office/street status based on activity and clocked status. We anticipate that if this Proposal is accepted, then IOCS data collection procedures will be modified to only perform readings on carriers while they are within the facility and typically clocked to the office, and will exclude readings where carriers typically have already clocked to the street.

4. The IOCS cost model will be expanded to use the control totals for the four categories calculated in Step 1 above using TACS data.<sup>1,2</sup>
5. The costing methodology for motor vehicle services in cost segment 12 uses an office/street percentage split for motorized routes. The split of workhours for motorized routes is available from DOIS and can replace the current proxy from IOCS.
6. The costing methodology for vehicle driveout and carfare in cost segment 13 uses an office/street percentage split for foot routes to determine the attribution and distribution of carfare and drive-out costs. The split of workhours for foot routes is available from DOIS and can replace the current proxy from IOCS.
7. Data will be reported by route groups (letter and special purpose) rather than by route type.

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1 Currently, IOCS uses two control total costs for carriers: total labor costs by the two craft subgroups: a) full-time regular carriers, and b) part-time, casual and transitional carriers.

2 For IOCS readings where the carrier is not assigned to a specific route type, the cost will be apportioned to regular and SPR routes in proportion to TACS.

8. For ACR Folder 19 (e.g., USPS-FY14-19), analysis of the indicia of First-Class letters will be based only on tallies where the carrier is returning from their route, and no longer include tallies for carriers assigned to a collection route.<sup>3</sup>

### **Changes from Original Proposal Nine**

In comparison with Proposal Nine as originally submitted, the recent refinements discussed at the Technical Meeting would amend the proposal as follows:

Assignment of workstatus category of IOCS tallies: The original proposal used the MODS code where the carrier clocked. This revision primarily uses carrier activities — carriers performing activities that are typically office activities are assigned to in-office, while carriers performing activities that are typically street activities are assigned to on-street. This change is proposed to enable making future data collection procedures more efficient by avoiding performing IOCS readings on carriers who are outside of the facility and who should be clocked to street. If this Proposal is accepted, then IOCS data collection procedures will be modified to perform active readings on carriers only while they are within the facility.<sup>4</sup> In order to analyze the impact of Proposal Nine using existing IOCS data, the carrier's clocking status is being used to assist with splitting

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<sup>3</sup> In FY2014, all tallies used for this analysis were identified from carriers returning from their route, and no additional tallies were identified based on the assignment of the carrier to a collection route.

<sup>4</sup> One exception is carriers checking their vehicle; typically carriers engaged in this activity are still clocked to office even though they are in the parking area outside of the facility, and in such instances, IOCS readings will continue to be performed and assigned to in-office.

costs associated for leaving or returning from route to either in-office or on-street status. See Tables 1-5 in the Appendix for the old and new mappings from activities and clocking status to work status category.

LDCs and MODS Operations: We have learned from Operations that LDCs 26 (Customer Support Activities) and 28 (Carrier, Tertiary Distribution) both represent in-office activities and concern only letter routes. LDC 29 (Routers) is also an in-office activity, but concerns both letter routes and SPR. LDC 92 (Training) is now incorporated as a separate control total for allocating costs for training. MODS Operation Code 993, Loaned as City Carrier, is excluded because there will be task-specific MODS operations recorded for the carrier at the office to which they have been loaned.

CARMM by route group: The Carrier Mixed Mail (CARMM) program was modified to distribute mixed mail by route groups rather than by route type. This was used to generate an updated distribution key for products using a version of the IOCS dataset that reflects the reweighting of tallies based on TACS data.

Workbooks: An error has been corrected in CS06&7.xls, worksheet 7.0.4.1 cell I60, to properly calculate Office costs without including any Support costs. Structural changes have been made, and labels have been updated to improve clarity. Changes are highlighted.

**Impact**

The cost impacts are shown in tables 6 and 7 in the Appendix (with corresponding nonpublic impacts included as part of USPS-RM2015-2/NP2). These are updated from Tables 1 and 2 from the original proposal.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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## Appendix

In ChIR No. 3, Questions 1 and 2, the Commission provided tables displaying costs associated with various carrier activities and clocking status. Those tables are updated here to reflect the impact of changes from Proposal Nine.

Table 1						
FY 2013 IOCS Dollar-weights for Assigned Activity of City Carrier Employees "On the Premises"* (\$000)						
Activities AT the Carrier Case (Q16F03A)						
	Original FY13			Proposal Nine (Revised)		
Assigned to workstatus:	OFFICE	OFFICE		OFFICE	OFFICE	
On Premises*:	Yes	Yes		Yes	Yes	
Clocked to:	Office	Street	Total	Office	Street	Total
Q16F03A: Activities AT the Carrier Case						
Preparing Mail for Sequencing / Loading Ledges	\$52,659	\$629	\$53,289	\$52,279	\$621	\$52,900
Sequencing / Casing Mail	\$1,456,838	\$17,788	\$1,474,626	\$1,443,214	\$17,606	\$1,460,820
Withdrawing / Pulling Down Mail / Strapping Out Mail (From Carrier Case)	\$294,957	\$7,521	\$302,478	\$292,520	\$7,445	\$299,965
Handling Undeliverable-As-Addressed (UAA) Mail	\$5,797	\$513	\$6,310	\$5,810	\$508	\$6,318
Obtaining or Returning Accountables or Keys	\$10,405	\$568	\$10,974	\$10,332	\$563	\$10,895
Doing an Activity Related to Scanning Delivery Confirmation or Signature Confirmation	\$5,540	\$188	\$5,729	\$5,486	\$187	\$5,672
Leaving or Preparing to Leave for Route	\$54,003	\$5,159	\$59,162	\$53,752	\$5,114	\$58,866
Returning from Route or Activities Related to Return	\$7,429	\$2,182	\$9,611	\$7,356	\$2,161	\$9,516
Other Activity (Specify)	\$47,537	\$1,462	\$49,000	\$47,160	\$1,485	\$48,646
Total	\$1,935,167	\$36,011	\$1,971,178	\$1,917,909	\$35,689	\$1,953,598
*"On the Premises" in the FY13 sense, including the loading dock and parking area, i.e. Q16A02 = Y.						

Table 2							
FY 2013 IOCS Dollar-weights for Assigned Activity of City Carrier Employees "On the Premises"* (\$000)							
Activities AWAY from the Carrier Case (Q16F03B)							
	Original FY13				Proposal Nine (Revised)		
Assigned to workstatus:	OFFICE	OFFICE			OFFICE	OFFICE	STREET
On Premises*:	Yes	Yes			Yes	Yes	Yes
Clocked to:	Office	Street	Total		Office	Street	Street Total
Q16F03B: Activities AWAY from the Carrier Case							
Obtaining Mail	\$120,333	\$1,968	\$122,301		\$120,119	\$1,948	\$0 \$122,067
Preparing and Checking Vehicle	\$185,799	\$5,516	\$191,315		\$185,657	\$5,556	\$0 \$191,214
Handling Undeliverable-As-Addressed (UAA) Mail	\$7,488	\$247	\$7,735		\$7,446	\$243	\$0 \$7,689
Obtaining or Returning Accountables or Keys	\$42,799	\$2,863	\$45,662		\$42,859	\$2,833	\$0 \$45,692
Doing an Activity Related to Scanning Delivery Confirmation or Signature Confirmation	\$6,269	\$108	\$6,377		\$6,284	\$107	\$0 \$6,391
Leaving or Preparing to Leave for Route (Including Preparing to Load or Loading the Vehicle)	\$236,656	\$103,151	\$339,807		\$236,684	\$0	\$102,343 \$339,026
Returning from Route or Activities Related to Return	\$25,543	\$12,618	\$38,161		\$25,668	\$0	\$12,533 \$38,201
Other Activity (Specify)	\$138,604	\$5,138	\$143,742		\$138,382	\$5,145	\$0 \$143,527
Total	\$763,490	\$131,610	\$895,099		\$763,100	\$15,833	\$114,876 \$893,809
*"On the Premises" in the FY13 sense, including the loading dock and parking area, i.e. Q16A02 = Y.							

Table 3							
FY 2013 IOCS Dollar-weights for Assigned Activity of City Carrier Employees "On the Premises"* (\$000)							
Other Activities of Carriers Not Handling Mail (Q16F02B)							
	Original FY13				Proposal Nine (Revised)		
Assigned to workstatus:	OFFICE	OFFICE			OFFICE	OFFICE	STREET
On Premises*:	Yes	Yes			Yes	Yes	Yes
Clocked to:	Office	Street	Total		Office	Street	Street
							Total
Q16F02B: Other Activities of Carriers Not Handling Mail							
Handling Empty Equipment or Containers	\$52,179	\$9,746	\$61,925		\$52,056	\$0	\$9,709
Participating in Safety/Service Talk	\$62,611	\$950	\$63,561		\$62,141	\$940	\$0
Taking a Break or Attending to Personal Needs	\$416,986	\$12,567	\$429,553		\$414,560	\$12,521	\$0
Clocking to Begin or End their Tour	\$100,152	\$3,552	\$103,705		\$100,000	\$3,594	\$0
Total	\$631,928	\$26,816	\$658,744		\$628,757	\$17,055	\$9,709
*"On the Premises" in the FY13 sense, including the loading dock and parking area, i.e. Q16A02 = Y.							

Table 4								
FY 2013 IOCS Dollar-weights for Loading/Unloading Vehicle Activity of City Carrier Employees On the Premises* (\$000)								
IOCS Question Cross Tabulation for Loading/Unloading Vehicle (IOCS Activity Code 6422)								
	Original FY13				Proposal Nine (Revised)			
Assigned WorkStatus	OFFICE	OFFICE			OFFICE	OFFICE	STREET	
On Premises*:	Yes	Yes			Yes	Yes	Yes	
Clocked to:	Office	Street	Total		Office	Street	Street	Total
<b><u>Actiities AT the Carrier Case (Q16F03A)</u></b>								
Leaving or Preparing to Leave for Route	\$31,088	\$3,272	\$34,361		\$30,884	\$3,244		\$34,129
Returning from Route or Activities Related to Return	\$4,164	\$922	\$5,086		\$4,123	\$912		\$5,035
<b><u>Activities AWAY from the Carrier Case (Q16F03B)</u></b>								
Leaving or Preparing to Leave for Route (Including Preparing to Load or Loading the Vehicle)	\$115,395	\$46,845	\$162,240		\$115,112		\$46,546	\$161,658
Returning from Route or Activities Related to Return	\$18,031	\$8,372	\$26,403		\$18,132		\$8,310	\$26,442
* "On the Premises" in the FY13 sense, including the loading dock and parking area, i.e. Q16A02 = Y.								

Table 5								
FY 2013 IOCS Dollar-weights for IOCS-Assigned Street Time (\$000)								
	Original FY13				Proposal Nine (Revised)			
Assigned WorkStatus	STREET	STREET			STREET	STREET	STREET	
On Premises*:	No	No			No	No	Yes	
Clocked to:	Street	Office	Total		Street	Office	Street	Total
6710-Street Costs	\$11,972,724	\$69,314	\$12,042,038		\$11,910,588	\$72,457	\$124,585	\$12,107,630
* "On the Premises" in the FY13 sense, including the loading dock and parking area, i.e. Q16A02 = Y.								

**Table 6 — Impact of Proposal Nine on Cost Segments Six and Seven**

	<b>Direct</b>	<b>Support</b>	<b>Office/Street Burdens</b>	<b>TOTAL</b>
<b>Distributed on Office - IOCS</b>	2,406,420	538,807	134,941	3,080,168
<b>Distributed on Street - IOCS</b>	9,241,206	1,140,105	441,841	10,823,153
<b>Network Travel - IOCS</b>	1,457,118	203,608	69,632	1,730,358
<b>TOTAL IOCS</b>	13,104,744	1,882,519	646,415	15,633,678
<b>Distributed on Office - TACS</b>	2,329,246	831,952	82,897	3,244,096
<b>Distributed on Street - TACS</b>	8,796,023	1,622,944	243,387	10,662,354
<b>Network Travel - TACS</b>	1,401,642	286,347	39,239	1,727,229
<b>TOTAL TACS</b>	12,526,912	2,741,243	365,524	15,633,678

**Table 7 — Impact of Proposal Nine on Total CRA Costs**

LINE NO.	CLASS, SUBCLASS, OR SPECIAL SERVICE	CRA CLASS	TOTAL C/S 6 & 7, AS FILED	TOTAL C/S 6 & 7, TACS OFFICE/STREET PROPORTIONS	DIFFERENCE	COST DIFFERENCE WITH PIGGYBACKS	DIFFERENCE IN UNIT COST
	<b>Market Dominant Products</b>						
1	<b>FIRST-CLASS MAIL</b>						
2	SINGLE-PIECE LETTERS	3	1,539,729	1,563,132	23,402	30,930	0.001
3	SINGLE-PIECE CARDS	4	84,929	86,536	1,607	2,121	0.002
4	PRESORT LETTERS	8	1,126,093	1,141,592	15,498	20,427	0.001
5	PRESORT CARDS	9	54,670	55,420	750	989	0.000
6	SINGLE-PIECE FLATS	16	165,937	171,943	6,006	7,849	0.006
7	PRESORT FLATS	17	89,277	95,205	5,928	7,747	0.012
8	PARCELS	19	44,015	45,015	1,001	1,320	0.005
9	<b>TOTAL FIRST-CLASS</b>		3,104,651	3,158,842	54,191	71,383	0.001
10	<b>STANDARD MAIL</b>			-			
11	HIGH DENSITY & SATURATION LETTERS	21	131,999	131,894	(105)	(139)	(0.000)
12	HIGH DENSITY & SATURATION FLATS & PARCELS	22	280,815	282,651	1,835	2,425	0.000
13	EVERY-DOOR DIRECT MAIL - RETAIL	24	23,446	23,617	171	225	0.000
14	CARRIER ROUTE	23	588,339	611,934	23,594	30,863	0.003
15	LETTERS	25	1,381,078	1,394,881	13,803	18,211	0.000
16	FLATS	26	529,267	559,717	30,450	39,665	0.007
17	PARCELS	27	15,114	15,628	514	677	0.009
18	<b>TOTAL STANDARD MAIL</b>		2,950,059	3,020,321	70,262	91,928	0.016
19	<b>PERIODICALS</b>			-			
20	IN-COUNTY	31	27,787	28,677	890	1,168	0.002
21	OUTSIDE-COUNTY	32	395,317	414,933	19,616	25,600	0.004
22	<b>TOTAL PERIODICALS</b>		423,104	443,610	20,506	26,768	0.004
23	<b>PACKAGE SERVICES</b>			-			
24	SINGLE-PIECE PARCEL POST	41	9,504	9,791	287	386	0.013
25	BOUND PRINTED MATTER FLATS	42	19,568	20,399	832	1,090	0.005
26	BOUND PRINTED MATTER PARCELS	43	43,698	44,862	1,164	1,564	0.007
27	MEDIA AND LIBRARY MAIL	44	20,756	21,422	666	889	0.010
28	<b>TOTAL PACKAGE SERVICES</b>		93,526	96,475	2,948	3,928	0.032
29	<b>US POSTAL SERVICE</b>	85	53,054	56,100	3,045	3,970	0.006
30	<b>FREE MAIL</b>	86	6,042	6,298	256	335	0.006
31	<b>Total Domestic Market Dominant Mail</b>		6,630,436	6,781,646	151,209	198,311	0.003
32	<b>Ancillary Services</b>			-			
33	CERTIFIED	51	117,738	118,149	410	542	0.002
34	COD	52	523	530	7	10	0.020
35	INSURANCE	54	6,191	6,401	210	276	0.010
36	REGISTRY	55	1,326	1,377	51	68	0.031
37	STAMPED ENVELOPES	56	-	-	-	-	
38	STAMPED CARDS	57	-	-	-	-	
39	OTHER ANCILLARY SERVICES	58	172,547	175,661	3,114	4,141	
40	<b>Special Services</b>		-	-	-	-	
41	MONEY ORDERS	73	-	-	-	-	
42	POST OFFICE BOX	74	-	-	-	-	
43	OTHER SPECIAL SERVICES	76	-	-	-	-	
44	<b>Total Domestic Market Dominant Services</b>		298,325	302,118	3,793	5,037	
45	<b>Total Domestic Market Dominant Costs</b>		6,928,761	7,083,763	155,002	203,348	
55	<b>Total Domestic Competitive Costs</b>		599,424	619,029	19,605	26,209	0.009
56	<b>INTERNATIONAL MAIL</b>	185	57,299	59,208	1,909	2,543	0.004
57	<b>TOTAL VOLUME VARIABLE COSTS</b>		7,585,485	7,762,000	176,515	232,101	
58	<b>OTHER</b>	199	8,048,193	7,871,678	(176,515)		
59	<b>GRAND TOTAL</b>		15,633,678	15,633,678	0		

An expanded version of Table 7 showing the impact on Competitive products is provided under seal in USPS-FY15-RM2/NP2